

# Notice of Allowability

Application No.

09/852,599

Examiner

Clement B. Graham

Applicant(s)

COBRINIK ET AL.

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address--

All claims being allowable, PROSECUTION ON THE MERITS IS (OR REMAINS) CLOSED in this application. If not included herewith (or previously mailed), a Notice of Allowance (PTOL-85) or other appropriate communication will be mailed in due course. **THIS NOTICE OF ALLOWABILITY IS NOT A GRANT OF PATENT RIGHTS.** This application is subject to withdrawal from issue at the initiative of the Office or upon petition by the applicant. See 37 CFR 1.313 and MPEP 1308.

1. ☒ This communication is responsive to 10/30/2006.
2. ☒ The allowed claim(s) is/are 1-26.
3. ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
  - a) ☐ All b) ☐ Some\* c) ☐ None of the:
    1. ☐ Certified copies of the priority documents have been received.
    2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
    3. ☐ Copies of the certified copies of the priority documents have been received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

\* Certified copies not received: \_\_\_\_\_.

Applicant has THREE MONTHS FROM THE "MAILING DATE" of this communication to file a reply complying with the requirements noted below. Failure to timely comply will result in ABANDONMENT of this application.

**THIS THREE-MONTH PERIOD IS NOT EXTENDABLE.**

4. ☐ A SUBSTITUTE OATH OR DECLARATION must be submitted. Note the attached EXAMINER'S AMENDMENT or NOTICE OF INFORMAL PATENT APPLICATION (PTO-152) which gives reason(s) why the oath or declaration is deficient.
  5. ☐ CORRECTED DRAWINGS ( as "replacement sheets") must be submitted.
    - (a) ☐ including changes required by the Notice of Draftsperson's Patent Drawing Review ( PTO-948) attached
      - 1) ☐ hereto or 2) ☐ to Paper No./Mail Date \_\_\_\_\_.
    - (b) ☐ including changes required by the attached Examiner's Amendment / Comment or in the Office action of Paper No./Mail Date \_\_\_\_\_.
- Identifying indicia such as the application number (see 37 CFR 1.84(c)) should be written on the drawings in the front (not the back) of each sheet. Replacement sheet(s) should be labeled as such in the header according to 37 CFR 1.121(d).
6. ☐ DEPOSIT OF and/or INFORMATION about the deposit of BIOLOGICAL MATERIAL must be submitted. Note the attached Examiner's comment regarding REQUIREMENT FOR THE DEPOSIT OF BIOLOGICAL MATERIAL.

## Attachment(s)

1. ☒ Notice of References Cited (PTO-892)
2. ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3. ☐ Information Disclosure Statements (PTO/SB/08),  
Paper No./Mail Date \_\_\_\_\_
4. ☐ Examiner's Comment Regarding Requirement for Deposit  
of Biological Material

5. ☐ Notice of Informal Patent Application
6. ☐ Interview Summary (PTO-413),  
Paper No./Mail Date \_\_\_\_\_
7. ☐ Examiner's Amendment/Comment
8. ☒ Examiner's Statement of Reasons for Allowance
9. ☐ Other \_\_\_\_\_

FRANTZY POINVIL  
PRIMARY EXAMINER

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## **DETAILED ACTION**

### **Allowable Subject Matter**

Claims 1, 4, 9-12, 15, 19-20, 22-26, are allowed.

The following is a statement of reasons for indication of allowable subject matter.

The prior art fails to teach, or suggest, the limitations of:

Rebane (US Patent No: 6, 405, 179) discloses a system with Capital Asset Pricing Model (CAPM) and the Capital Market Line (CML) to establish the departure points for derivation of the present invention: Risk Direct Asset Allocation (RDAA) and Risk Resolved CAPM (RR/CAPM). A complete tutorial on modern asset allocation methods, particularly the CAPM and the related Arbitrage Pricing Theory, may be found in any one of a number of good texts on corporate finance [4] (A bibliography of reference is found at the end of this disclosure).

The practical application of any quantitative method of portfolio design based on securities' covariance requires the selection of a 'short list' of N risky stocks or other securities. Several studies have shown that the investor begins to gain "almost all the benefits of (portfolio) diversification" at  $N \approx 8$ , "virtually no risk reduction" for  $N > 15$  [14], and measurable liabilities increasing beyond  $N = 30$  [15]. The nomination of the short list may be approached as a formal problem in multi-attribute utility [1]. We proceed here with a specified candidate set of N risky securities whose singular utility to the investor is their ability to contribute to a successful portfolio design.

The motivation for going beyond the CAPM, with its ever-present companion query as to "whether variance is the proper proxy for risk" [21], is in the answer that variance is only the progenitor of risk and not its final measure. Between the two there is a road, unique to each investor, to be traveled that lets us individually answer the question "how much of each of the N securities should I--not he and not she--buy and/or hold?" This question is answered by the present invention.

In the CAPM risk is measured by the rate performance dispersion of a security as expressed by its historical rate standard deviation. A primary problem with the CAPM is that once established, this 'sigma' is applied uniformly to all investors independent of

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the amount they intend to invest or their individual aversion to the possible loss of investment assets. Thus the CAPM has a very egalitarian view of risk, and treats all investors equally, regardless of their total investment assets available for investment and net worth. The levels of risk and the concordant performance of a set of risky securities are quantified by their covariance matrix usually computed from specified historical .

Neither this Patent, alone nor in combination with others, disclose nor teach the feature of “

$$IPAC_j = \frac{p_j * \left( a + \sum_{i=1}^n (r_i * l_i) \right)}{c_i}$$

Where

$$l_i = \min(c_i, m_i)$$

$$c_i = a + \sum_{i=1}^n c_i$$

Ryan (US Patent No: 5, 673, 402) discloses a computer system and a data processing system, and methods involving the same, applied to the financial fields of insurance and mortgages. More particularly, this invention relates to a computer system for preparing, processing and transmitting life insurance premium quotes as part of a mortgage calculation in support of a new financial product. In the new financial product, life insurance is used as collateral and a means for repayment of a mortgage, and facilitates the purchase of real estate without (or with a greatly reduced) down payment. The invention includes automated aspects of the use of premiums paid on life insurance as a substitute for the initial down payment on a mortgage, the use of life insurance policy death benefits to retire the mortgage upon the death of the borrower, the use of accumulated cash values to retire the outstanding principal on a mortgage in the event of the borrower's survival, and the services of storage and transmission of data for all of the foregoing.

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In the United States, the declining supply of low-cost housing and the inability of many low-income renters to save enough money to make a down payment has forced many potential home buyers out of the housing market, according to a study released Mar. 17, 1988, by the Harvard University Joint Center for Housing Studies. (Reported in the Mar. 28, 1988, Bureau of National Affairs Banking Report.) To address this problem in the United Kingdom, a way has been found to combine life insurance and a mortgage into what is known as an "endowment mortgage."

A UK endowment mortgage is a balloon payment mortgage combined with an endowment life insurance contract. A UK endowment life insurance policy provides life insurance coverage and tax-free accumulation of premium dollars invested in the life insurance policy over a stipulated time period--usually between twenty and forty years. The lender and the insurance company work in concert to engineer a balloon payment mortgage linked to an endowment life insurance policy so that, at the end of the mortgage period, the cash value accumulated via the life insurance is sufficient to repay the mortgage in a single, lump-sum "balloon" repayment.

A home buyer financing the purchase of a home with a UK endowment mortgage pays no principal to the lender over the term of the mortgage. Monthly loan payments are limited to interest only. The mortgage principal is repaid separately by using the life insurance policy. This principal accumulates in an endowment life insurance policy--a universal life insurance policy with a level death benefit equal to the purchase price of the home. The premium dollars invested grow over the term of the mortgage to meet the amount of the principal borrowed to purchase the home. In the last year of the mortgage, the life insurance policy "endows," and the homeowner uses a one-time tax-free distribution from the life insurance policy to repay the mortgage.

Neither this Patent, alone nor in combination with others, disclose nor teach the the feature of "

$$IPAC_j = \frac{p_j * \left( a + \sum_{i=1}^n (r_i * l_i) \right)}{c_i}$$

Where

$$l_i = \min(c_i, m_i)$$

$$c_i = a + \sum_{i=1}^n c_i$$

Brett (US Patent : 6, 907, 405) discloses a computer controlled priority right auctioning system is now described with reference to FIGS. 1-27. Although many of the Figures anticipate that the priority rights being auctioned are in the form of tickets to a venue, as described herein the priority right auctioning system may be used to auction any of a number of different types of priority rights, examples of which are provided above in the Background. Description to certain pieces of auction information, such as "groups" and "subgroups" or "sections" and "subsections", may not apply to all priority right auctions. In addition, the term "priority rights" is used throughout the Description to represent all such priority rights which may be auctioned using the system.

FIG. 1. shows the computer controlled priority right auctioning system 10 which is built according to the present invention. As, shown, the computer controlled auctioning system 10 is comprised of a central computer 12 such as an Internet server which sends and receives information through a communication system 13 such as the public telephone system, television cable system, or satellite communications system to remote terminals 14.sub.1, 14.sub.2, 14.sub.3 . . . 14.sub.n, such as personal computers or other network accessing devices. In this embodiment, Internet sites are constructed consisting of web pages of graphics and text stored as html files, which present the necessary information pertaining to upcoming events and ticket sales. These sites are stored in the memory of the central computer 12. The construction and initiation of these sites is shown as step 22 and step 23 in FIG. 2, which is a flowchart illustrating the general operation of this exemplary system.

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$$IPAC_j = \frac{p_j * \left( a + \sum_{i=1}^n (r_i * l_i) \right)}{c_i}$$

Where

$$l_i = \min(c_i, m_i)$$

$$c_i = a + \sum_{i=1}^n c_i$$

Fredrick M. Biddle. " THE WALL STREET JOURNAL, LockheedAsset Sales May Fall --- Coming Proposal Is Unlikely to Satisfy U.S. Demands For Acquiring Northrop, New York, New York: Marc, 1, 1998.pg. 1) discloses Those who are exercised over the telecom bids tangle in Parliament may have a sense of cf122deja vucf121 on reading this tale from Down Under. The Australian Government offered two licences for satellite-television services through first-price sealed-bid auction in April 1993. The licences were won by two dark horse bidders called Hi Vision Ltd. and Ucom Pty. Ltd. by offering startlingly high bids of A 212m and A 177m in the face of competition from established players including a consortium of major players such as Rupert Murdoch, Kerry Packer and Telecom Australia. Hi Vision had an issued capital of merely A 100. What followed was high drama, quite like what happened in India. It turned out that the two adventurer companies had no intention of paying their highest bids which they had put in just to ensure winning taking advantage of the fact that there was no penalty for default. They had also put in about 20 successively lower bids. They then proceeded to successively default on their bids, and in the end, the two licences were awarded for A 117m and A 77m, at about half the original bid. The impact of a low penalty for default could be similar. In the case of bids for basic telecom services in India, if HFCL had defaulted on its bids worth Rs. 86,000 crores in the nine circles, it would have had to incur a penalty of only about Rs. 175 crores. This has to be seen against the gap of about Rs. 55,000

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crores between the first and the second highest bids in these nine circles put together. Ideally, the penalty for default or the security deposit should equal this gap. Under the current practice this cannot be ensured as the security deposit is taken before or alongwith the bids. This suggests a change in procedure whereby the security deposit should be taken in two parts: an initial earnest deposit with the bids which can be kept low, and a security deposit which should be taken after the bids are opened but before they are announced and equal to the maximum of the gap between two successive bids among the top four or five bids. If the bids are in terms of streams of cash flows, then the security deposit could reflect the present value of the gaps. How should bidders belonging to designated classes such as the Scheduled Castes/Tribes in India, minorities, women and domestic as against foreign investors be helped? Should a quota of items be set aside for exclusive bidding by them or should they be given price preference in common bids?

Given the available choice of auction forms, the obvious question arises as to which form to choose for a particular purpose. This may depend on the question as to which auction form is likely to secure the maximum revenue for the seller. Should a reserve price be set, and if so, how high should it be? What is the best way to positively discriminate in favour of some designated bidders or social groups to meet social or Constitutional obligations? Should lumpsum payments only be taken from the winning bidders or should these be based on the future observable income from the item as in the case of royalties for minerals and books? If the seller has some information about the value of the item, should it be shared with the bidders? Happily for us, the new auction theory which is a child of the economics of imperfect information and the theory of games, answers these questions in a wide variety of practical auction situations. While the conclusions are of very general sweep, the ardour to apply them needs to be tempered with common sense and a respect for the robustness and stability of the common auction forms which have weathered the test of time. Such an approach of cautious experimentation has already been tried in the summer of 1994 by the Federal Communications Commission (FCC) of the U.S. to design an auction with the help of theorists to sell radio spectrum rights for the Personal Communications Systems. One

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of the first results of auction theory is that the Dutch auction and the first-price sealed-bid auction are strategically equivalent and will always lead to the same outcome. This is so, because the Dutch auction does not generate any information in the course of the auction till the winning bid, and therefore each bidder has to determine his or her bid price in isolation, which is exactly what happens in a first-price sealed-bid auction.

Neither this non-patent literature, alone nor in combination with others, alone nor in combination with others, disclose nor teach the feature of “

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Where

$$l_i = \min(c_i, m_i)$$

$$c_i = a + \sum_{i=1}^n c_i$$

John Racine, “Lastly Richardson, Tex., Modified Dutch Auction to increase Debt Menu for Residents, New York, New York: March 5, 1993. Vol. 303, Iss. 29103; pg 3): discloses how option pricing methods can be used to allocate required capital. Hoping to make more debt available to residents, Richardson, Tex., officials plan to sell \$34 million of refunding bonds this month through an auction process that gives the city control of allocation by eliminating a traditional underwriter and the plan by the double-A rated Dallas suburb comes a month after Lewisville, Tex., used the same Dutch auction-style sale, which gives the city the control of a negotiated transaction and the economy of a competitive deal.

Under that system, Richardson will take bids on March 17 for all its maturities and decide how to allocate the bonds in an attempt to ensure that securities are available to local retail investors.

Dan Parker, assistant city manager for finance, said the city council this week decided to try the auction after citizens complained they were unable to buy any of a \$36.9



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million general obligation bond issue underwritten last month by Goldman, Sachs & Co. in a competitive sale.

"We've had a lot of interest within the community over the past years in purchasing Richardson bonds and not having the opportunity to do so," he said. "I heard about Lewisville and found that they had a similar concern that bonds never make it down to local voters."

Parker said that while the city was pleased with Goldman's bid last month, some city council members believe Wall Street firms would rather sell bonds to institutional clients than retail buyers.

However, "The Blue List," the daily log of bonds offered in the secondary market, shows that yesterday four firms, including Goldman Sachs, were offering \$2.92 million of the Richardson bonds.

"I don't think you can blame the underwriter because a retail investor can't get bonds through his local broker," said a Texas trader familiar with the debt. "The bonds are out there for the bid."

Until this week, the city had been expected to go with a traditional underwriting.

"We went there with the idea that we were going to do a traditional deal," said Harold McInroe, a principal at First Southwest Co. in Dallas, the city's financial adviser. "They just felt the subscription method was an opportunity to make some bonds available for local brokers."

First Southwest was also financial adviser to Lewisville. As in last month's sale, the firm will act as both financial adviser and as subscription agent to help the city sort through bids expected in two weeks.

Also, the firm is expected to provide a backup agreement for the city in which it will agree to buy any bonds for which Richardson believes the bids are not adequate.

Under the proposed auction style, the city will accept bids from underwriters on all or part of any of the refunding bonds it plans to sell. The city will then choose the best bids and allocate the bonds.

A formal award of the bonds is expected March 22 when the bond purchase agreement is to be signed.

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First Southwest has compared the sale to a Dutch auction, a procedure commonly used for the sale of short-term securities in which bidders stipulate the lowest interest rate they are willing to accept. However, under this process, the city will determine what bids it accepts.

In a traditional sale, the bookrunning senior manager allocates bonds among members of the underwriting syndicate. In theory, the underwriter's capital is at risk until the bonds are successfully placed. Under the Richardson proposal, an underwriter is only responsible for the bonds it is awarded.

At present, Richardson plans to refund portions of its 1985 general obligation issue and the callable bonds in its 1989 and 1991 certificates of obligation sales.

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Where

$$l_i = \min(c_i, m_i)$$

$$c_i = a + \sum_{i=1}^n c_i$$

"

### Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Clement Graham whose telephone number is (571) 272-6795. The examiner can normally be reached on 8:30am-5:00pm M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Richard Chilcot can be reached on (571) 272-6777. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300. Information regarding the status of an application may be obtained from the Patent

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Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status


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information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

C GRAHAM

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January 7, 2007

  
FRANTZY POINVIL  
PRIMARY EXAMINER  
*AU 3692*